

DIGITAL MUSIC STUDY

2019

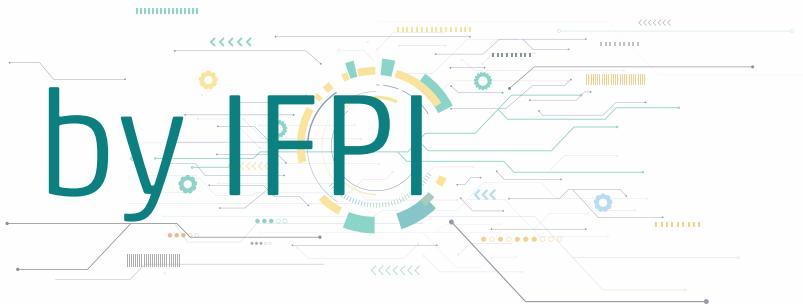




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Foreword by IFPI



India is undoubtedly among the world's most exciting music markets. As this report shows, over the past few years, we have seen a rapid transformation from physical products to digital services, and the explosion of digital streaming services. That, together with increasing access to broadband connectivity and mobile smartphone penetration, has created a heady mix that promises strong growth for the foreseeable future. India has the potential to become a top 10 music market over the next few years.

The main beneficiaries of this growth will be the Indian music industry and Indian artists that continue to create a rich diversity of music that caters equally to regional tastes and to the increasing fanbase of Indian music outside the country.

However, this positive trajectory is not a given. There are clear obstacles to the path of growth. India must ensure a fair digital marketplace where licensed digital services can grow, and creators and investors in music are fairly rewarded. This means that apart from ensuring that rights can be licensed freely and fairly, the government must help the industry to tackle digital piracy that continues to undermine the fair functioning of the Indian digital music market.

While I am encouraged by the recent anti-piracy actions of different government branches and agencies, such as the Maharashtra Cyber Digital Crime Unit, and the progressive decisions from the judiciary, more needs to be done; in particular to stem the flow of infringing content into the Indian market from websites based outside India. To do that, I urge the new government of India to introduce a fast and scalable administrative procedure, in line with best international practice, that enables competent authorities to order all internet service providers to block access to obviously infringing websites.

I look forward to reading the IMI report in the next few years and seeing that India has become a top ten market globally.

Frances Moore
Chief Executive
IFPI

Foreword by IMI



Four very distinct trends emerged from the IFPI-IMI Digital Music Study 2019 which was conducted across 9 geographical locations in India.

Firstly, the year on year growth rate of 21.3% of the overall market for the past three years can be best explained when 80% of survey respondents recognize themselves as music fanatics and lovers, showing a wide music fandom base in India, which far exceeds the global average of 54%. These mindboggling numbers can be attributed to the combined efforts of the creative community, the recorded music industry and the platforms. Long live the catalogue – the second trend, given “old Bollywood” as a genre comes in with a 53% share of listenership and “old regional” as a genre coming in at a 31% share of listenership, combined “old Bollywood” and “old regional” add up to the #1 slot; this is in line with a new global trend where Digital Service Providers (DSPs) have new hires to promote older tunes. Adding to the growth in music consumption in India, the fastest growing segment are the consumers in the age groups of 25 to 34 (71% use paid streaming) and 35 to 44 (64% use paid streaming), by any standards bulk of the consumers in this category are economically productive which is a perfect launch pad for the long-awaited premium subscription eco-system, the third

trend. Lastly, piracy may be seeing a downward spiral over the past three years but even at 67%, it is still very high given that the content is freely accessible today across multiple DSPs; for piracy levels to come down further, the recorded music industry alongside the creative community, the DSPs and the ISPs must work together to drive traffic to legitimate streaming platforms.

DPIIT (Department for Promotion of Industry and Internal Trade) continues its stellar performance under CIPAM (Cell for IPR Promotion and Management) across the country by spreading awareness about IPR and copyright protection. Maharashtra Cyber Digital Crime Unit (MCDCU) has been globally recognized for its path breaking efforts to reduce digital piracy. The recent judgment of the Delhi High Court judgement, where the court passed dynamic injunctions against the defendant websites, is a step in the right direction. But unless administrative website blocking orders for copyright infringement are adopted, remedies like dynamic injunctions remain a temporary relief against piracy.

Per statistics available in the public domain and as observed by the multiplex association of India, the top 3 multiplex chains, accounted for 290 million admissions. These customers

pay an average of INR 210 per ticket. Further, consumers across India paid INR 14 billion towards digital subscription in 2018 and it is expected to cross INR 50 billion by 2021,¹ shows that the consumer is willing to pay for the experience. Case in point, the success of a product like Saregama's Carvaan, a digital music player that comes pre-loaded with over 5,000 evergreen Hindi film songs. It is immensely popular amongst older demographics as well as amongst younger consumers with over 1 million units of Carvaan sold till date and has seen 132% growth year-on-year.² The estimated growth of digital subscription, paying capacity of consumers and consumer-willingness to pay for experience products are three very prominent indicators that India is now ready for a subscription-based model. DoT, can you hear me?

Blaise Fernandes
President and CEO
IMI

¹ EY-FICCI FRAMES – “A billion screens of opportunity”.

² https://r.saregama.com/resources/pdf/investor/Saregama_Q4_press_release.pdf

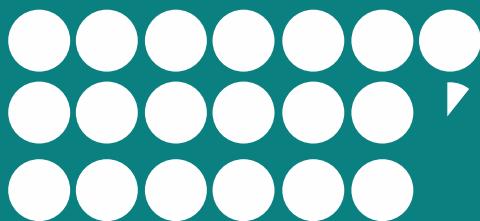
INDIA

Music Overview

Local music dominates favourite genres.

Time spent listening to music each week

19.1 hrs



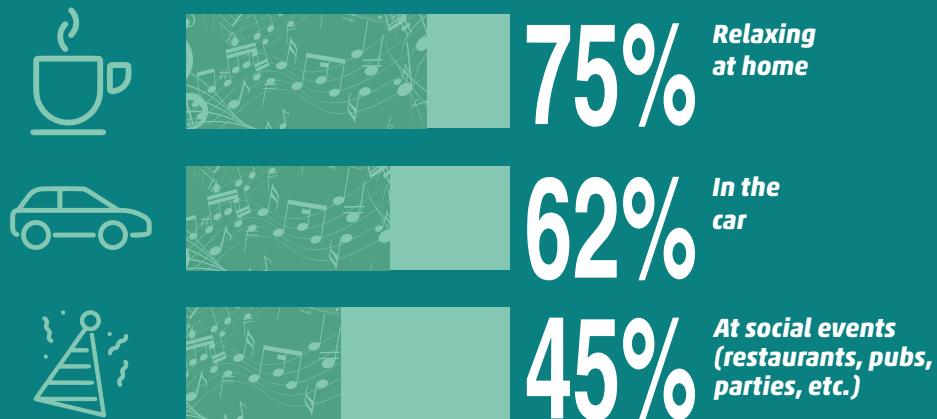
Device usage in past three months

97%

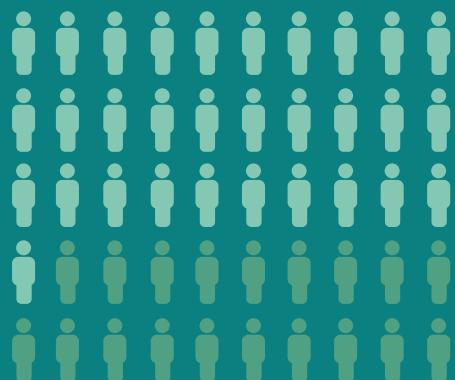


***Use smart phones to
listen to music***

Listening Activities



Social media usage



62%

**use social media sites or apps
to listen to music or watch
music videos**

* Any social media sites or apps used to listen to music or watch music videos in the last day

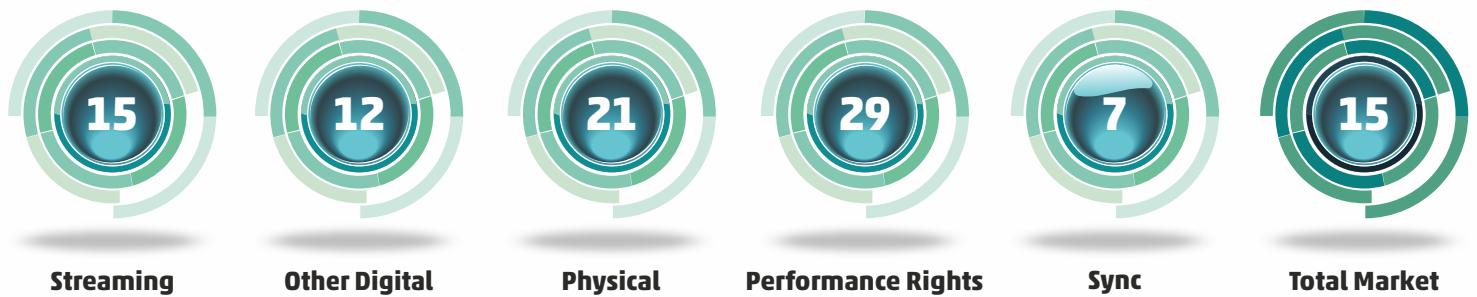


INDIA

Market Overview



RANKS



REVENUE

Total - INR 1,068 Cr.

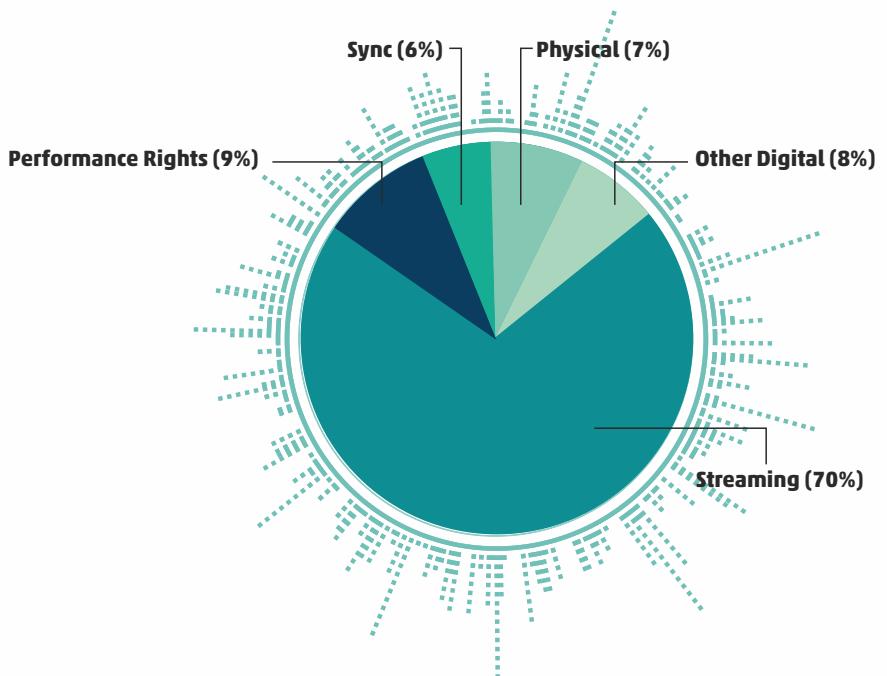
Physical - INR 73 Cr. (7%)

Streaming - INR 745 Cr. (70%)

Other digital - INR 88 Cr. (8%)

Perf - INR 101 Cr. (9%)

Sync - INR 62 Cr. (6%)



- Streaming revenue showed a 30.9 % growth and was the main contributor and accounted for 70% of overall revenues, and other digital sales in the form of digital downloads accounted for 8% of revenues.
- Subscription streaming revenues grew by 33.3% from INR 73.2 Cr (US \$10.7m) to INR 292.8 Cr (US \$42.8m) and ad-supported audio streaming income – the free tier of services- rose by 43.6% to INR 78 Cr (US \$11.4m) to INR 257 Cr (US \$37.7m).
- Video stream revenues were INR 194 Cr. (US \$28.4 m), 26.01% of total streaming

RESEARCH METHODOLOGY

This report discusses and analyzes insights for India from IFPI's Music Consumer Study, 2019.. The study explored the ways consumers worldwide **accessed** and **consumed music** across 21 countries. In India, the study comprised **3,000 internet users aged 16-64**.

Globally, **34,000 internet users were surveyed** with higher numbers of respondents in some larger markets. Strict gender, age, and regional quotas were set to ensure statistically and demographically **representative samples** of the **online population** in each country (in accordance with the latest census data).

The study was designed and analysed by IFPI's Insight and Analysis team. Fieldwork was carried out by **AudienceNet** and took place in **April - May 2019**. Weighted global averages **do not include China and India** given the size of the internet populations in these two countries.



Executive Summary

India with a population of 1.3 billion has the tailwinds to direct digital music forward through consumption and engagement.

- India has over 400 million smartphone users - a user base only second to China³
- Mobile data in India is cheap, reliable, and widely available: at the end of 2018, a typical phone plan provides 1.5GB of data every day for a cost of around 149 per month (around US \$2).
- A rise in disposable personal income, reaching an all-time high in 2018 to INR 193 trillion from INR 170 trillion in 2017⁴.
- The affluent middle-class⁵ in India, which increased to 7.3% in 2018 as compared to 6.4% in 2017⁶ and is projected to increase to 11% in 2025, is triggering demand for the mobile and internet segments.⁷
- The fastest growing segments are the consumers in the age groups of 25 to 34 (71% use paid streaming) and 35 to 44 (64% use paid streaming).

Key Insights

- The society in India has a strong engagement with music across ages and platforms; 80% of surveyed internet users identified themselves as "music fanatics" or "music lovers", higher than the corresponding global average of 54%.
- Compared to their global counterparts, the surveyed respondents in India showcased a greater preference to visually engage with music- with the time spent on video streaming services accounting for 28% of the average user's total listening time in India, i.e., 5.3 hrs/ week, compared to the global average of 19.6% or 3.5 hrs/ week.
- Radio engagement in India is high, increasing even; on an average, 86% of surveyed respondents used radio (live or on-demand) to consume music – engagement with radio formats was equitable across all age-groups, though consumption was particularly higher in the age group of 35-44 with 90% users opting to listen to music on the radio in the past three months.
- Music listeners aged 16-44 are more likely to pay for audio streaming as they prefer an ad-free experience, the autonomy to listen to anything at any time, convenient form of music streaming and access to a one stop shop for all their respective music preferences.

³ White Paper; Counterpoint Technology Market Research, available at <https://www.counterpointresearch.com/wp-content/uploads/2018/10/India-Mid-Tier-Smartphone-Segment-to-Grow-4x-in-Next-Five-Years.pdf>

⁴ <https://tradingeconomics.com/india/disposable-personal-income>

⁵ We have considered "affluent middleclass" as households who fall within the income group of USD 15400-30800.

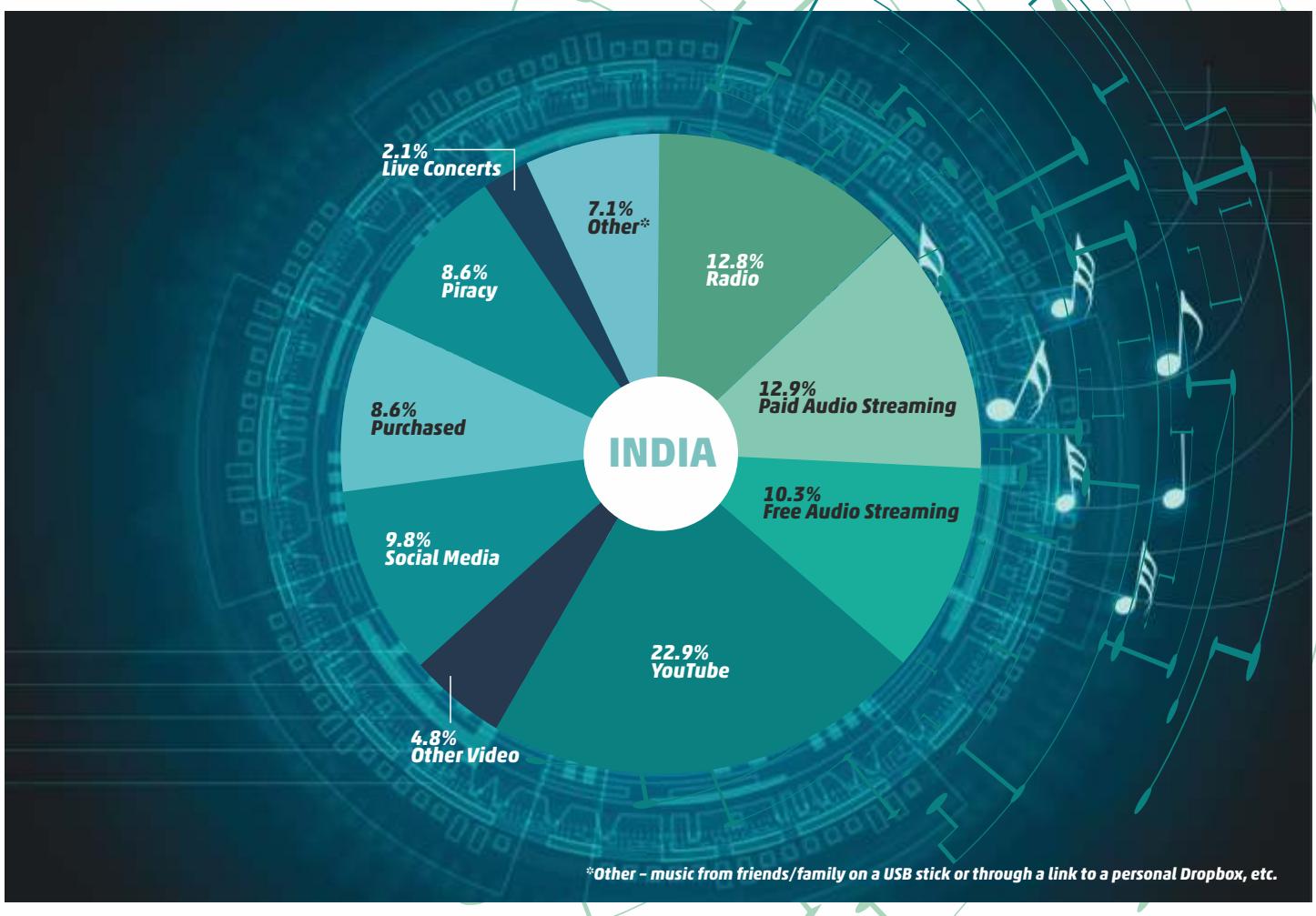
⁶ IBEF- Telecommunications, July 2019

⁷ IBEF- Telecommunications, July 2019

- Paid audio subscribers show greater engagement with music with an average user spends 2.5 hrs/week listening to music through paid audio streaming versus 2 hrs/week through free audio streaming, however, paid audio subscribers are few in number with only 61% surveyed respondents consuming music through the premium tiers on offer by the digital platforms.
- In India audio streaming comprised 39.4% of time spent listening to music across the three methods (video streaming, audio streaming, and radio) but returned 71.8% of the share of revenues generated by them. In contrast, radio was responsible for 21.7% of listening time but a share of just 2.9% of total revenues from the three music listening methods.

- An emerging form of copyright infringement, **social media piracy** has emerged in India owing to developments in app space. Certain apps make available on their platforms unlicensed sound recordings owned by record labels in India and seek immunity under "safe harbour provisions" to escape liability.

The above form the basis for the challenges faced by the recorded music industry in India to untether "fair value" from radio broadcasting and narrow the value gap in revenues earned from video streaming services.



Music knows No Age

Music is a common enjoyment for people, with some having more zeal for it than others. For many people, their lives revolve around it. It's an aspect of their life that helps form connections and build relationships with others.

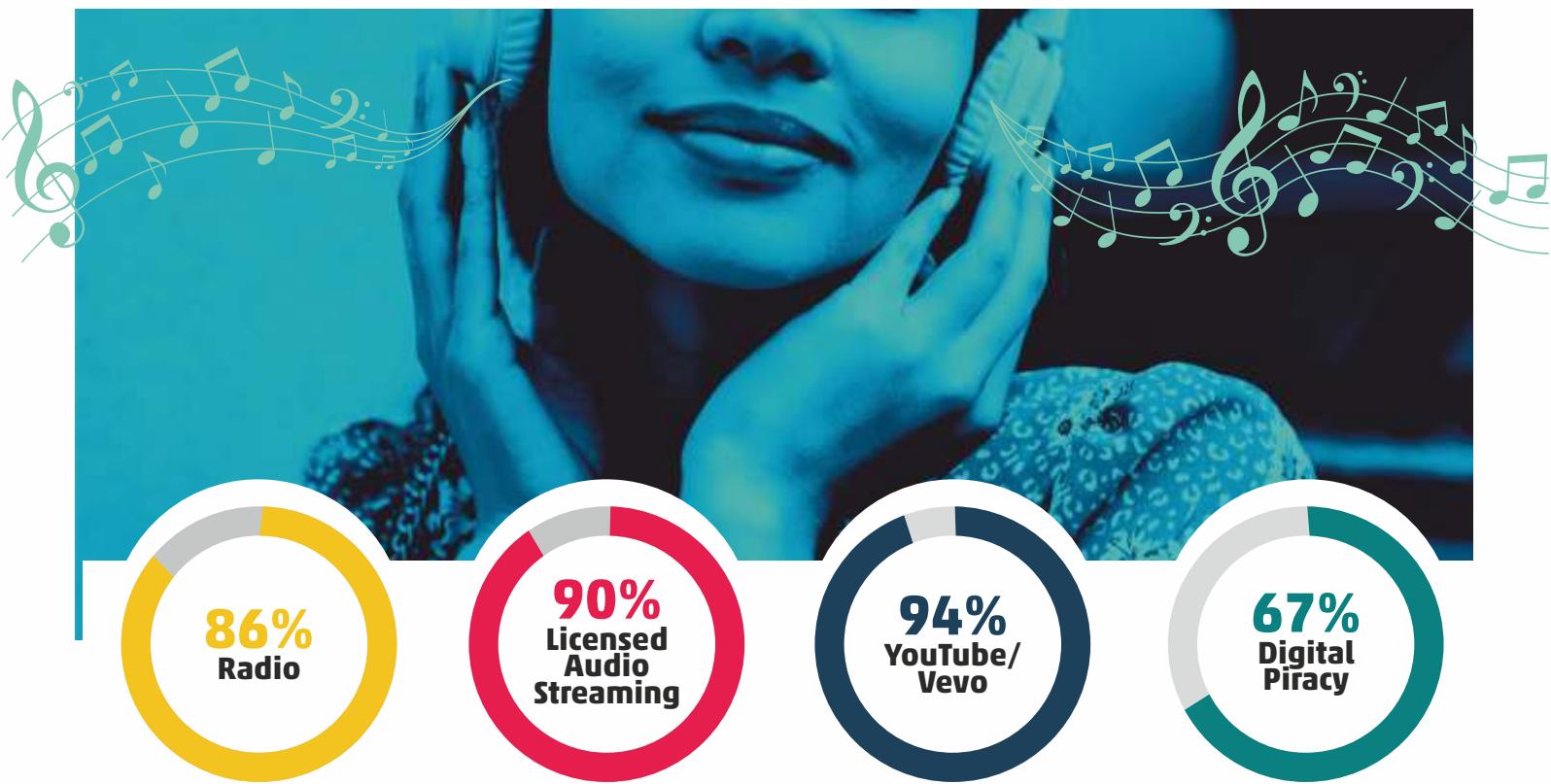
As per the study, a music Fanatic was defined as someone who noted that "music meant everything to them, and is one of the most important things in their lives". Across India, 80% of the surveyed internet users deemed themselves as "music fanatics" or "music lovers", which is higher than the corresponding global average of 54%. 21 % of survey respondents agreed they fit into the categorization of a "music fanatic" while only 0.5% thought of music as being unimportant to their lives. The tremendous reach of music interest is in line with the time spent listening to music, with the average internet user in India listening to 19.1⁸ hours of music each week – over two and half hours daily and more than the 18.0 hr/week global average⁹ and has been boosted by the increased development of internet access

through mobile devices in India and reflects the myriad of cheaper data rate options offered by network providers available to the public.

Engagement with music remains higher in the younger demographics, than older age groups with respondents in the 16-34 age groups listening to music on an average of 20.4 hrs/week as opposed to the 19.1 hrs/week national average.

As expected, the average user in the 16-24 age group in India had the highest percentage of people identifying themselves as music fanatics with 29% which far exceeded the corresponding global average of 9%.

Across age-groups, music consumption was highest across the mediums of radio, free or paid audio streaming and video streaming, with these platforms combined accounting for 64% of listening time for the average internet user in India.



Music consumption methods: Music Consumer Study 2019

⁸ In the previous version of the IFPI-IMI Digital Music Study, the sample size of the survey in India was 2000 internet users. For 2019, the results are based on response from 3000 survey respondents, therefore, readers should be aware of this when comparing the results from last year.

⁹ Weighted global averages do not include China and India given the size of the internet populations in these two countries.

Radio - the “resilient” platform

Radio is still a prevalent choice of media in this modern digital landscape. The average user in India spends an average of 2.4 hours per week listening to music on the radio.

The radio, is an important part of the media mix today, as surveyed respondents stated that they listened to the radio 53% more than they did 12 months ago. The change in consumption was primarily factored by;

- convenience the most important consideration with (41% respondents);
- the wide selection of music/ stations (39%);
- and universal accessibility (38%).

On an average, 86% of survey respondents used radio (live or on-demand) to consume music – engagement with radio formats was equitable across all age-groups, though consumption was particularly higher in the age group of 35-44 with 90% users opting to listen to music on the radio in the past three months.

While the preference for radio as a medium of music consumption stemmed from it being a free medium of music consumption and a standard component of vehicles, surveyed users noted the importance of radio as a form of music discovery, and more than one-third of respondents between 16-44 said that radio introduced them to new artists.

Despite competing with audio and video streaming services for user attention, radio broadcasting continues to stay resilient with only 16.8% of survey respondents claiming to spend lesser time listening to music on the radio, of which 40% preferred to listen to music on an audio streaming service.

Radio's recent development of content delivery through the internet, has made online non-interactive radio platforms the second most common form of radio intake followed by on-demand/catch-up radio which may be in the form of a podcast which was previously broadcasted live.

This has provided the radio industry with monetization opportunities and expanded their existing revenue streams.

Audio Streaming - a case of continuing consumption

Audio streaming for music consumption continues to show significant user engagement year-on-year in India, with 90 % of survey respondents consuming music through audio streaming services. The study highlights that the average time spent on audio and video streaming services per week was 4.5 hours and 5.3 hours respectively, accounting for more than half of the total time spent by an average user listening to music.

Music consumption through audio streaming has risen across all the age groups with a 10% increase amongst young listeners (16-24s) and an 8% increase amongst older listeners (45-54s), leading to engagement rates of 97% and 78% among surveyed respondents respectively.

The main reasons for engaging with streaming focused on the rich music library, the convenience of having all music in one place, and the autonomy, when users were asked about what appealed to them about listening to music through audio streaming. 61% of survey respondents affirmed that instant access to millions of songs was a key draw and 50% of the respondents cited the convenience of access at any time, of any

song, as a major draw of audio streaming services.

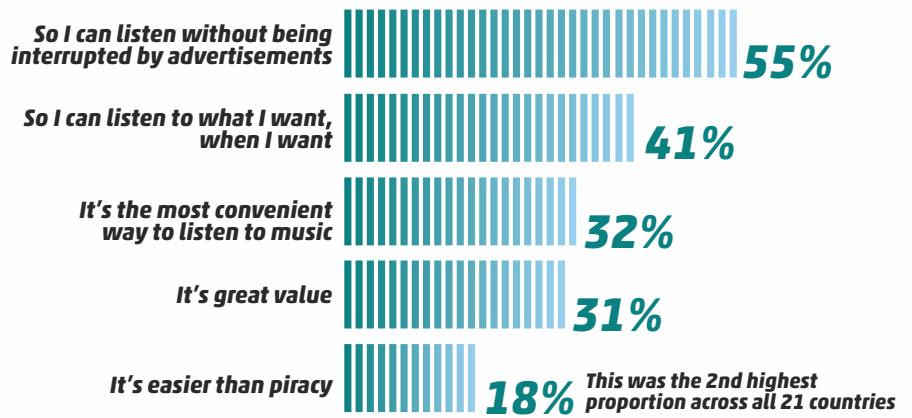
There is considerable use of multiple streaming services for music in India, particularly at the free tier level, owing to the differences in the curation of catalogue between domestic and international services.

Services such as Gaana, JioSaavn, and Spotify were among the top audio streaming services for music listeners. Spotify is the most used streaming platform for listeners aged 16-24s as they are more brand conscious and have the highest engagement with international music, while YouTube, is the preferred streaming service for older listeners.

Paid streaming remains an opportunity of growth for the industry, with only 61% respondents consuming music through the premium tiers on offer by the digital platforms. The results of the survey suggest that average user spends 2.5 hrs/week listening to music through paid audio streaming versus 2 hrs/week through free audio streaming, thus suggesting users on premium tiers of audio streaming services showcase greater engagement with music.

Of the surveyed users who opted to pay for audio streaming, 55% noted that convenience was important in persuading them to pay, which includes the overall appeal of the service and the ability to remove interruptions from advertisements. While only 18% of these respondents said they paid because it was "easier than piracy", this was the highest proportion across all 21 countries in the study with the exception of Russia.

Despite the value addition offered by paid audio streaming options, the conversion rate of free users to paid users remains low, as further elaborated in the report. Paid audio streaming engagement matches that of radio broadcasting, but is far exceeded by music consumption through video streaming.

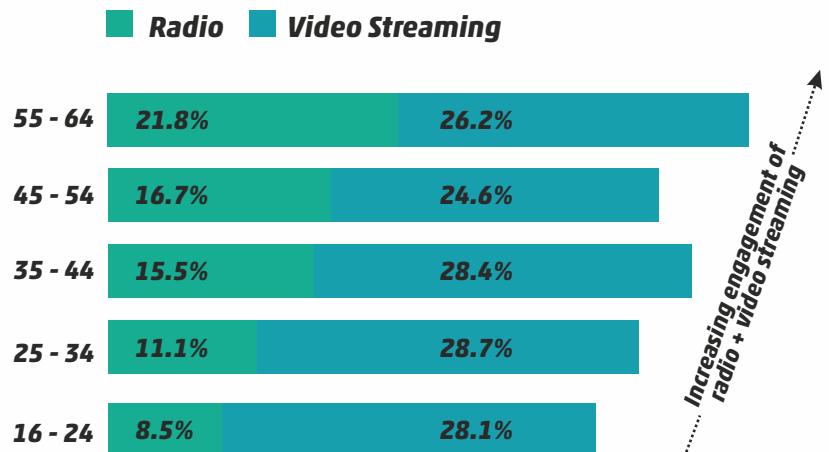


Video music streaming: Visual engagement is important to the consumer in India

Time spent on video streaming services accounted for 28% of the average user's total listening time in India. As the survey details, film and various forms of other Indian music were the favorite genres of more than half of all respondents, with Bollywood music released in the last year driving the most engagement, it is therefore, no surprise that listeners prefer to consume music accompanied with the video, which is reflected in the higher preference for video streaming over audio streaming and radio broadcasting across all age groups, with services like YouTube preferred by surveyed users over audio streaming platforms like Gaana, JioSaavn, etc.

The combined usage of radio broadcasting and YouTube showed increasing engagement amongst older age groups..

While, 94% of respondents used YouTube or Vevo to consume music, 31% of users also noted the use of Dailymotion, implying a considerable reliance on other video streaming services as well, which far exceeded the global average music use for YouTube/Vevo (84%) and Dailymotion (5%) - this reflects the dominant cultural music interests and the strong visual elements in Bollywood and other film music.



How many hours do you spend listening to music in the following ways? (Radio, Video Streaming among other options)

Cultural nuances aside, 37% of respondents who used YouTube for music cited the lack of cost (free music), and a further 28% cited the wide availability of music, particularly new and popular content as major draws towards the service. The presence of actual videos on the site - in contrast to an audio streaming service like Spotify, Gaana, for instance - was important, again reflecting the preference for film-based music content.

Does high engagement mean proportionate returns for music rights holders?

In India, there is significant disparity between the amount of time people spend listening to music across different methods and the amount of revenues that these methods return to the recorded music industry. This is evident when we separate out consumption and revenues from on-demand streaming (audio streaming and video streaming) and from radio.

Taking all of these three methods together (audio streaming, video streaming, and radio), the chart shows that audio streaming comprises 39.4% of all time spent listening to music across the three methods, which helps increase valuations of streaming services in India, creating new unicorns and adding valuations of public listed companies. Radio is responsible for 21.7% of music listening time across streaming and radio but returns just 2.9% of total revenues from the three methods. Video streaming also returns a lower share of revenues relative to the time spent listening to music: video sites like YouTube represent 38.9% of music listening time across streaming and radio but return 25.3% of industry revenues.

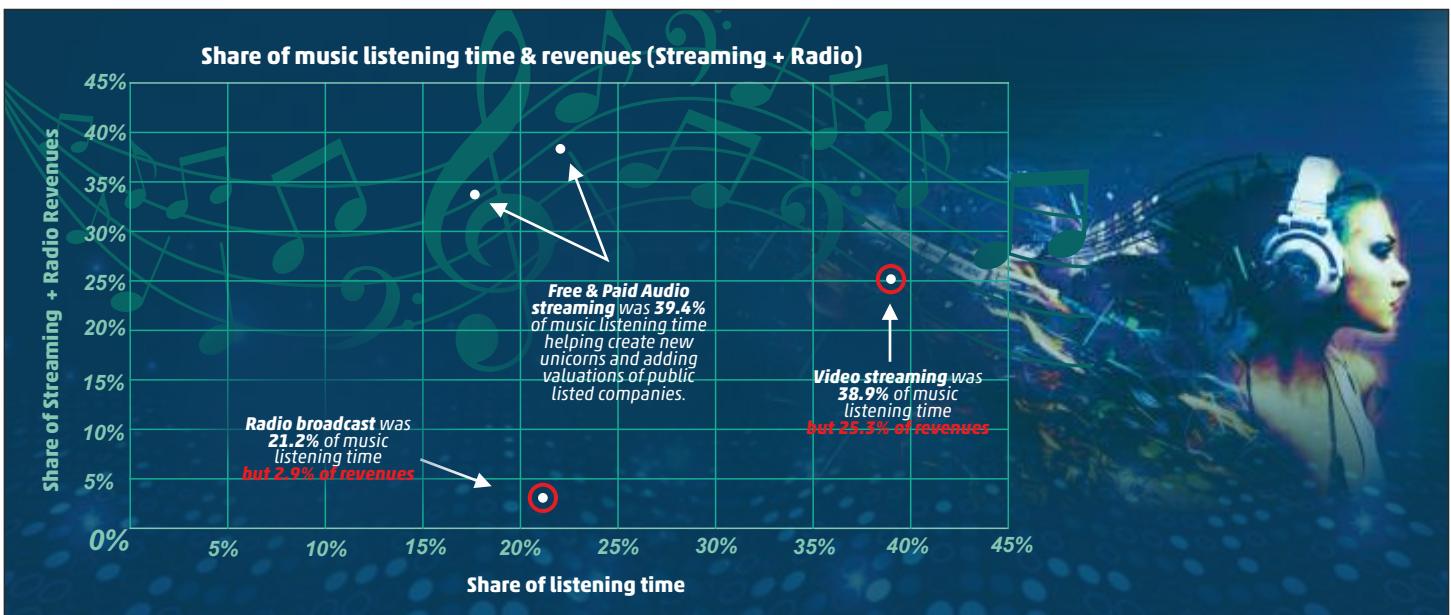
Such discrepancies in revenue contribution can be attributed to legislative and regulatory impediments that inhibit return fair value to rights holders.

Legislative provisions for Statutory Licensing such as S.31D of the Copyright Act, 1957 introduce exceptions to the rights of record labels who own sound recordings wherein licensing norms are fixed by the government, subject to the licensee giving a notice

and depositing the fee as fixed by the government.

The investment by record labels globally on R&D amounts to about USD 5.8 billion¹⁰, which is spent on discovering new artists, and promoting and marketing content. Permitting the industry to negotiate voluntary licensing arrangements reflecting the value of their investments would eventually facilitate fair value to all stakeholders in the value chain.

India ranked 15th amongst global recorded music markets in 2018 and since the digital music consumption market in India is an emerging market, there is potential for its growth. However, ambiguity in laws surrounding the law on statutory licensing in India presents a major hindrance to achieve this feat. In 2016, the Department of Industrial Policy and Promotion (now DPIIT) released an Office Memo¹¹ stating that Statutory Licensing under S.31D of the Copyright Act, 1957 extends to "internet broadcasting organizations". The Bombay High Court decision in Tips v. Wynk¹² clarified that S.31D of Copyright Act, 1957 does not apply to internet operators or internet usage. In June 2019, DPIIT released the Draft Copyright (Amendment) Rules, 2019 which seek to amend the existing Copyright Rules, 2013 and extend the application of statutory licensing under S.31D to "each mode of broadcast" and therefore, potentially the internet within its sweep. Such ambiguous laws surrounding Statutory Licensing in India go against the vision of the Ease of Doing Business of the Government of India.

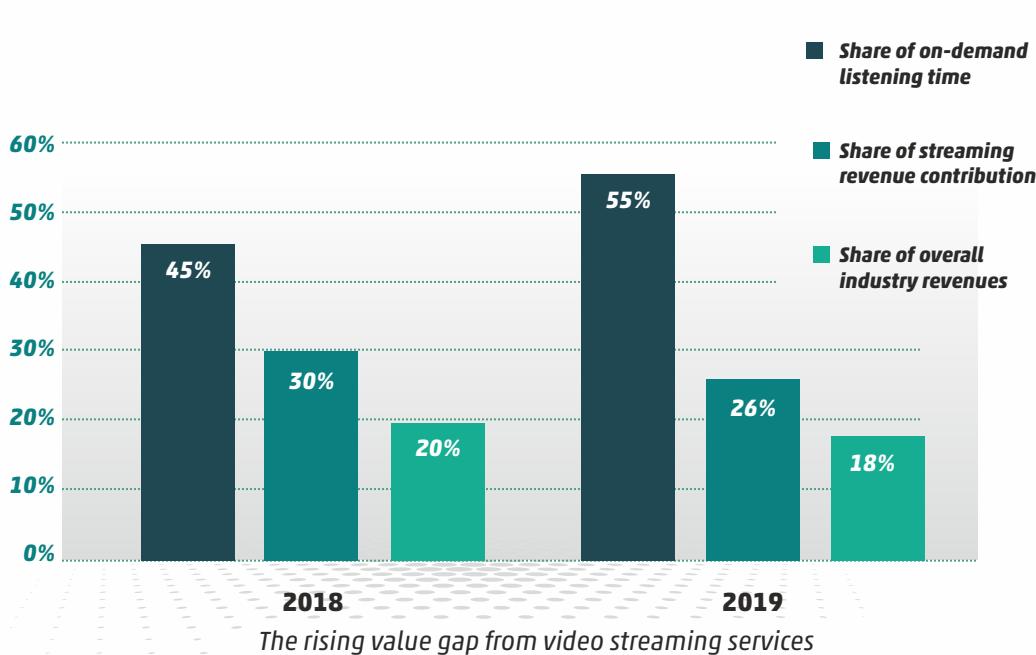


¹⁰ <https://powering-the-music-ecosystem.ifpi.org/>

¹¹ DPIIT Office Memorandum, 2016; Available at https://dipp.gov.in/sites/default/files/OM_CopyrightAct_05September2016.pdf

¹² Tips Industries v. Wynk Music Limited & Anr., COMMERCIAL SUIT IP (L) NO. 113 OF 2018

The “Value Gap” gets wider



Video streaming in India accounts for 55% of on-demand listening time, i.e., streaming listening time in India, however, streaming revenues from Video Streaming Services only account for 26% of overall streaming revenues. This is a wider gap when compared to last year's results, where video streaming accounted for 45% of all hours spent listening to on-demand streaming services but generated 30% of overall streaming revenues for the recorded music industry.

Such a value gap is reflective of outdated safe harbour provisions, as elucidated later in this study, which needs to be brought in line with technological advancements in India.

Piracy

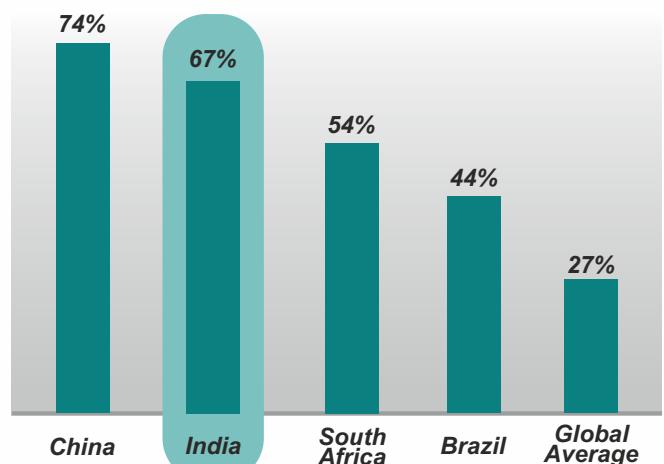
To compound these challenges, the music ecosystem in India continues to be subject to piracy levels which are still sky high (67%) – more than global average of 27%.

With the growth of smartphone penetration and internet usage in India, the locus of music piracy has shifted from physical piracy to cyberspace.

While usage of pirated music content (including Cyberlockers, P2P (including BitTorrent), Stream Ripping and Mobile apps) dropped from 76% in 2018 to 67% in 2019, it still remains one of the highest in the world.

a. Popularity of stream ripping

Stream ripping remains the major music piracy threat in India despite a fall of 11% in use across all demographics reported in the study. When asked about the methods employed to download music content from YouTube or other music sites, 58% of survey respondents in India acknowledged the use of stream ripping websites.



Piracy Rates: Top 5

b. Piracy comparison with other countries, in particular China

Overall piracy rates in India are 67%, which is second to China at 74%, however, India has a low takedown rate of 37% as compared to takedown rates of 97% in China at the end of June 2019. The time for take down in China is 2 hours which in 2013, took 2 weeks and 2 days.

The Chinese government implements the SWORD Net Action, administrative action system, every year from July – August. The copyright office invites all copyright owners' recorded music et al, to submit administrative complaints regarding piracy, illegal content and ilk activities. SWORD Net Action, over the last 5 years has received 200-500 complaints a year, however, in 2018 the volume dropped to 200 owing to a decline in piracy.

IFPI issued 467 takedown notices to pirated sites based outside India for facilitating illicit content, however, such intermediary sites claim immunity under the safe harbour provisions of the countries where they host their servers to shield themselves from liability. This poses a hindrance for India in pursuing an effective takedown legal action in relation to such pirated sites.

Therefore, blocking of such websites within India would help alleviate the losses due to pirated content made available to end users by foreign intermediaries, with measures like administrative website blocking a potential solution.

Alternatives to piracy



When asked what mode of consumption of music would they use if piracy was not possible, surveyed respondents would be most likely to listen to music on licensed streaming services or the radio. 28.7% of surveyed respondents would choose YouTube, followed by Free Audio Streaming (17.8%), Radio (13.1%), pre-owned music (10.6%), Paid Audio Streaming (10%) and the remaining would use other modes of consumption such as other video streaming service, buy music or CD or vinyl, etc.

Copyright Infringement on Social Media Apps



An emerging form of copyright infringement, social media piracy has emerged in India owing to developments in cyberspace. Certain social media apps, especially those which actively facilitate user-generated content, indulge in copyright infringement by making available to their users unlicensed sound recordings owned by record labels in India to reproduce/distribute/publicly perform/communicate to the public/synchronize or otherwise use or exploit such recordings. Such apps seek immunity under "safe harbour provisions" to escape liability.

However, under the Indian law, an intermediary is granted conditional 'safe harbour' under S.79 of the Information Technology Act, 2000 where the activity undertaken by the intermediary is of a technical, automatic and passive nature and for such an immunity to be applicable to them, intermediaries are to have neither knowledge nor control over the information which is transmitted or stored. Additionally, to be eligible for safe harbour, an intermediary must show due diligence in the discharge of discharge of its duties as set out in the Information Technology (Intermediaries Guidelines) Rules, 2011. Such a "safe harbour" does not apply if the intermediary has conspired or abetted or aided or induced the commission of an unlawful act or if, upon obtaining actual knowledge or notice of copyright infringement, the intermediary fails to expeditiously remove or disable access to that material.

While these IT Act provisions are preferable to those under the Copyright Act, 1957, it remains inherently unclear how the two sets of provisions interact which leads to legal uncertainty and significant legal loopholes in copyright enforcement. Moreover,

the notice and take-down mechanism on its own is outdated and no longer an effective remedy given the state of development of the digital market. The notice and takedown mechanism under S.79 of the IT Act should be improved to become a "notice and stay-down requirement" so as to prevent reappearance of the same infringing content.

Such kind of copyright infringement over social media apps has multiple data security implications for India in the following ways -

- **Excessive Permissions:** A few social media apps collect large amounts of personal data such as user's location, profession, friend lists, friends' interests, cellphone number, photo interests, etc. as a bare minimum permission to gain access to the apps by users.

- **Malware:** Some social media apps contain malware and expose India to cyber-espionage attempts and security risks.

Large internet-based platforms need to be held accountable for actively making available and aiding online music piracy. Safe harbour provisions in India need a relook to ensure that large internet-based platforms, especially those which actively facilitate user-generated content are held accountable for copyright infringement through: licensing, automated content filtering facilities, etc. These issues should be addressed in the proposed draft Information Technology [Intermediaries Guidelines (Amendment) Rules] 2018 and India's draft National e-commerce policy, 2019 which propose anti-piracy measures to tackle online distribution of pirated content.

Impediments to a Subscription-based Model



When respondents were asked why they did not pay for subscriptions, more than half (51%) responded that the preferred to use YouTube as anything they wanted to listen to was available, additionally, respondents preferred free music streaming services (45%) and free downloads (44%). YouTube is the most preferred streaming service to listen to music as well as the main inhibitor across all age groups stopping users from paying for premium subscriptions.

Additional reasons cited for not using paid streaming services, were claims that: paid audio streaming is too expensive (25%) or unaffordable (24%) and a lack of awareness of the features and/or the features provided by paid services not being good enough (17%). This leaves plenty of room for industry experts to strategize and rope in music listeners who are unaware of the differences between free tier and paid audio streaming services.

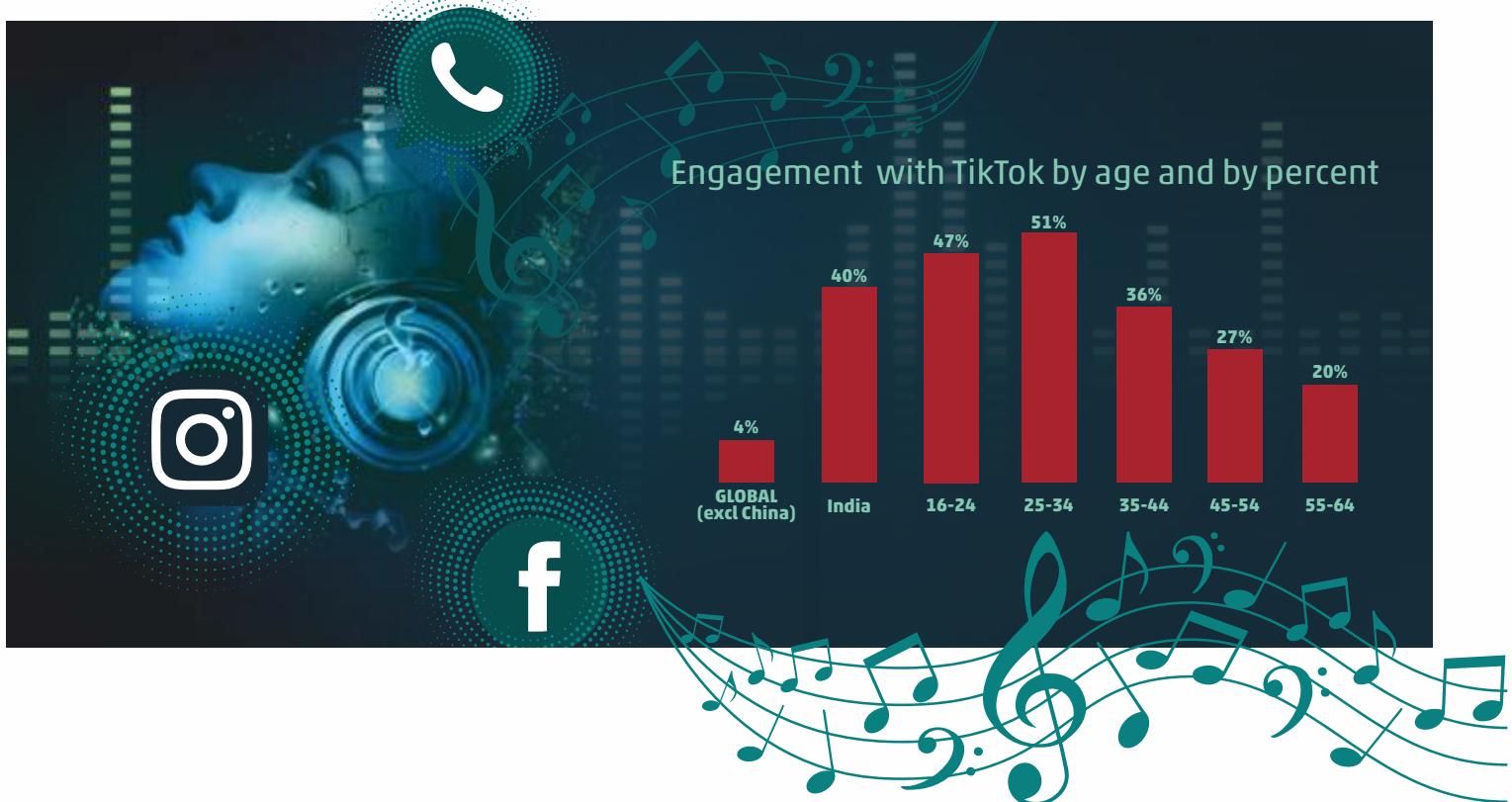
The reliance of the older age groups between 45 to 64 on radio for consumption of their music instead of audio streaming suggests that users in older demographics are still not comfortable with the idea of audio streaming and instead rely on more using the radio for music, with 27% of respondents in this demographic citing that radio gave them all the music they want.

Paid streaming subscription revenues account for 27% of all recorded music industry revenues in India and is high potential market, thus, if the fair value and value gap challenges with broadcasters and video streaming services; platforms that are major inhibitors to the growth of the paid streaming ecosystem, are not addressed and corrected, the current growth of the recorded music industry in India will not be sustainable.



Emerging platforms and consumption trends

Social media is the now and the future



WhatsApp, Facebook, and Instagram were the preferred music-focused social networks among surveyed respondents but usage of emerging alternative social media platforms like TikTok, was surprisingly popular amongst all age groups; the platform saw highest engagement in the age group of 25-34, with 51% respondents in the demographic listening to music or watching music videos using TikTok. Notably, surveyed respondents in India exhibited far greater engagement with TikTok than their global counterparts, excluding China, with this being true across all age groups, for example, corresponding global proportions for age groups 45-54 and 55-64 were 4% and 2% respectively, far less than the figures noted below for India.

While Facebook and Instagram remained the main social media platforms for music consumption and discovery in India, TikTok enjoyed a more level playing field in the area of user uploaded

content, with all three platforms preferred equally by respondents who typically used social media for music.

TikTok's subscriber count of 200 million users of which 120 million are active every month¹³, though short of Facebook's 281 million user base¹⁴, makes TikTok an immediate rival to more *mainstream* music streaming apps which currently draw 165 million monthly active users every month¹⁵.

As the next wave of music-users begin to adopt social media platforms and music streaming services alike, the services as well as the recorded music industry will need to prepare for the "*next billion who will behave much differently from the first billion in terms of musical tastes, socioeconomic status and motivations to pay for a media service*"¹⁶.

¹³ <https://tech.economictimes.indiatimes.com/news/internet/tiktok-wants-more-diverse-creators-on-path-to-monetisation/69715867>

¹⁴ <https://www.statista.com/statistics/304827/number-of-facebook-users-in-india/>

¹⁵ KPMG India: Media & Entertainment Report 2019, Pg 134

¹⁶ Cherie Hu - Four Initial Observations on India's Music Industry [paywall]

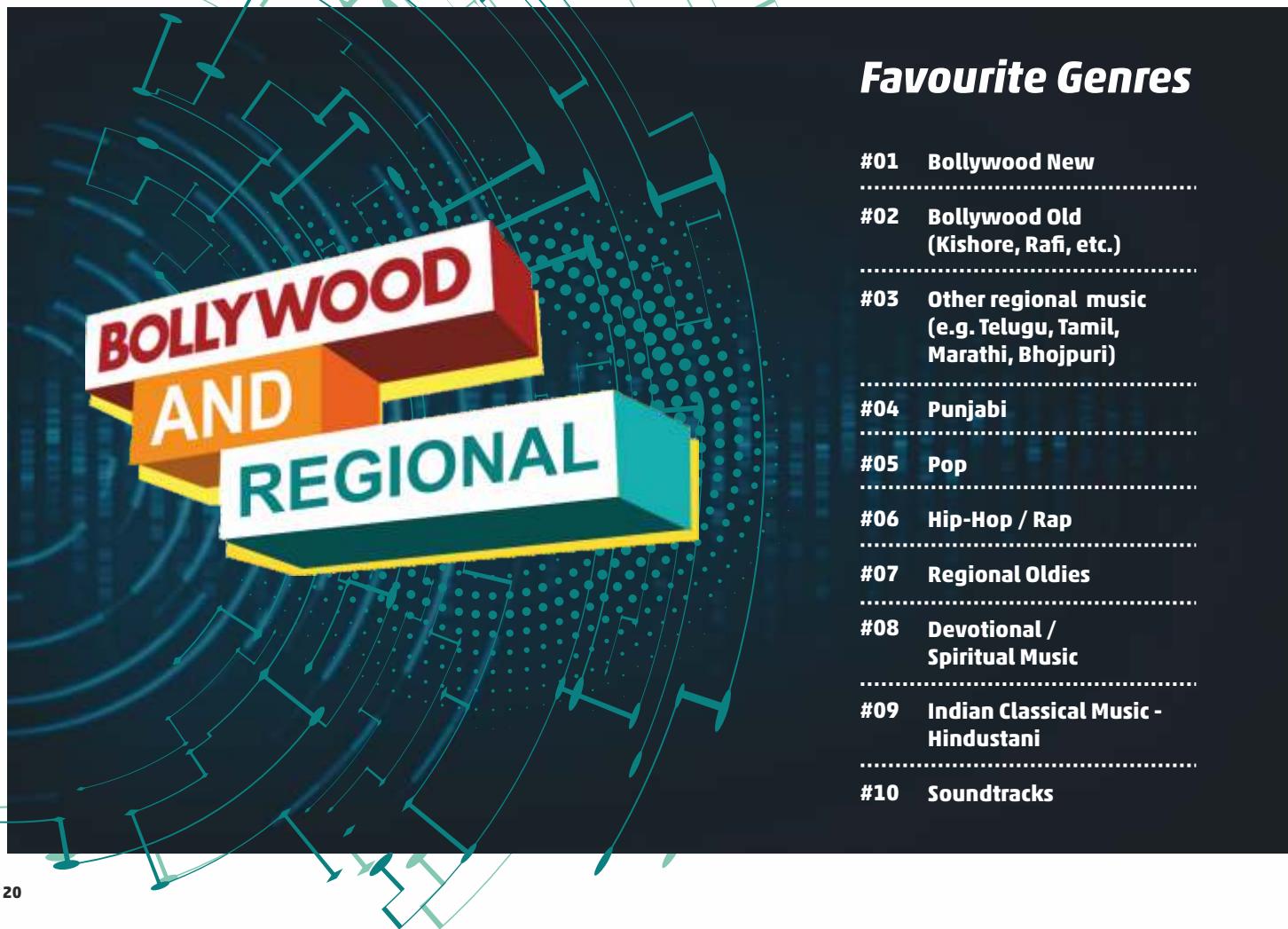
Long Live the Catalogue - Bollywood and Regional

Unsurprisingly, film music and Bollywood in particular makes up a large chunk of favourite music genres. New Bollywood music (released over the last 12-18 months) was listened to by 60% of survey respondents while 53% listened to vintage Bollywood songs. Asked to pick a single favourite genre, new Bollywood catalogue was chosen by 19% respondents with classic Bollywood songs chosen as a favourite by 16%.

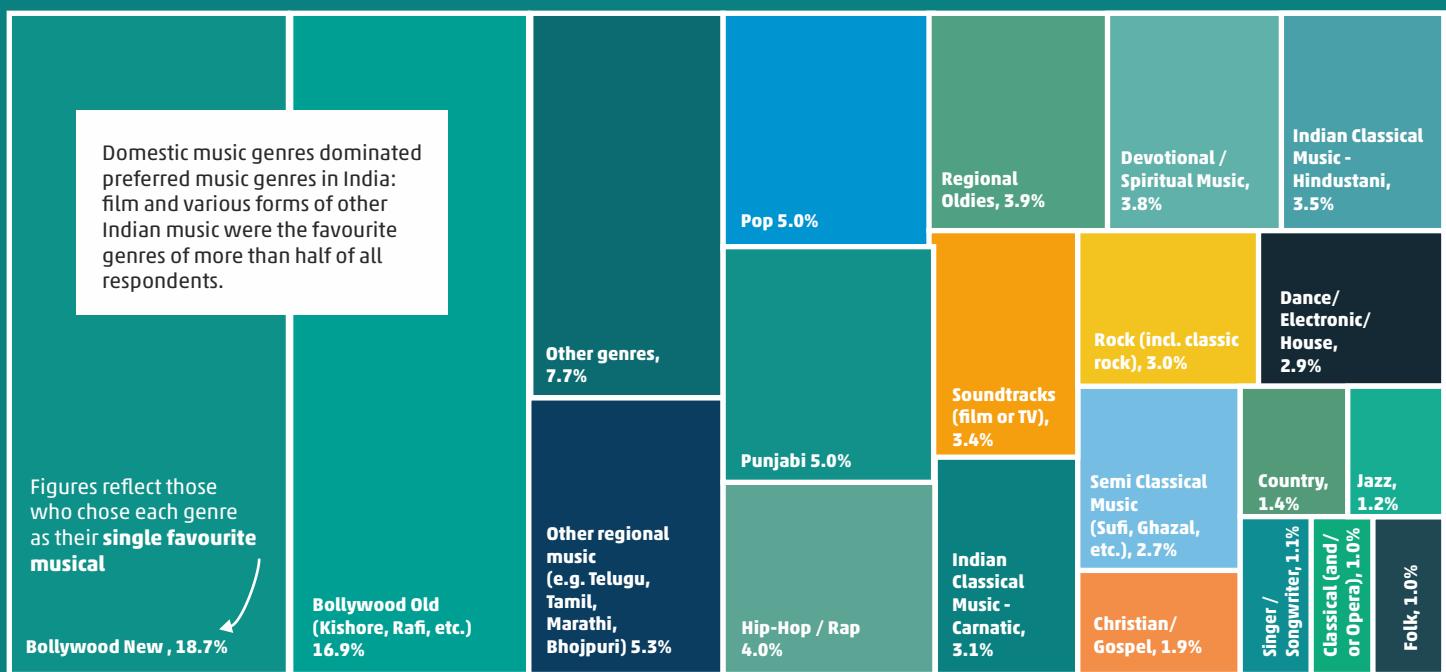
This year's study also revealed burgeoning consumption in the form of regional "oldies", i.e. older catalogues of music in languages such as Tamil, Telugu, Bengali, etc, collectively

ranking 7th in the list of top genres preferred by the average user in the survey.

With greater democratization of music consumption through rising internet penetration and access to streaming platforms for users in tier II cities and beyond – as well as the availability of innovative products like Carvaan and dedicated radio channels for older music catalogues – one can expect an increase in the consumption of regional music and older repertoires (both film and non-film).



India is dominated by the music of the country, from film tracks to regional and classical music



Conclusion

As a fast-growing music economy with an average of +21.3% growth over the past three years, India's recorded music industry continues to be driven and altered in equal measure by innovation in the digital media space as both traditional players like radio broadcasters and emerging platforms like TikTok find their space in the burgeoning digital media paradigm.

India has seen increasing traffic towards legitimate sources of music (audio OTT platforms, video streaming platforms, etc.) driven by an increase in smartphone penetration and low data rates. The penetration of music services to tier II and tier III cities, along with an increasing subscriber base of internet users suggests that the scope for growth for audio, video streaming consumption as well as music-focused social media platforms remains large – as emphasized by the increasing competition in the audio OTT industry and social media ecosystem. The recorded music industry in India has played a key role in ensuring that the burgeoning demand for music is met, through

large investments in talent, content creation, marketing and promotion and active licensing policies to online and broadcasting platforms.

The insights from IFPI's Music Consumer Study 2019 serve to corroborate these trends. Radio broadcasting is seeing increasing engagement, particularly among younger age-groups. On the flipside, this engagement is not translating into greater proportionate value returned to the music rights holders that help drive this engagement, with impediments such as licensing controls inhibiting the return of fair value. The Government, as the orchestra conductor in this scenario, will have to ensure the right symphony on fair value to rightsholders across the recorded music industry spectrum. This will enable further investments including FDI, thereby leading to job creation, culture preservation, soft power penetration and ultimately greater music consumption.





About IMI

The Indian Music Industry (IMI) is the apex body that represents the interest of the music companies a.k.a. record labels on a pan-India basis. IMI is an IFPI affiliate which is the global body that represents the recorded music industry worldwide. All major music labels in India are part of this association. IMI is the leading force in India's fight against music piracy and establishing IP rights.



About IFPI

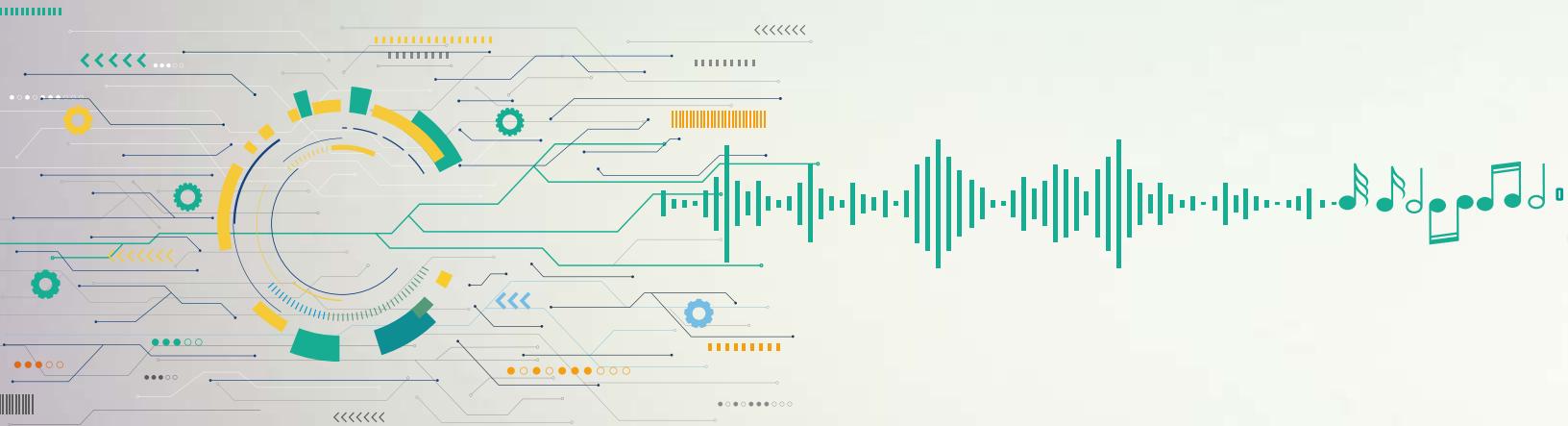
The International Federation of the Phonographic Industry (IFPI) is the organization that represents the interests of the recording industry worldwide. It is a non-profit members' organization registered in Switzerland and founded in Italy in 1933. It operates a Secretariat based in London, with regional offices in Brussels, Hong Kong and Miami.



About AudienceNet

AudienceNet is a social service and consumer research agency, which employs statistical analysis and data visualization to profile and engage with audiences across the globe. It was founded in the UK in 2011 and has offices in London, Washington DC and Melbourne.





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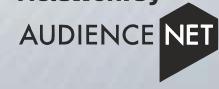


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